



SPOTLIGHT ON RETIREMENT

PENSIONS SECURE DESPITE ECONOMIC TURMOIL

Mass Retirees (September 2008)

In light of the dire economic news coming from Washington and Wall Street over the past two weeks, the Mass Retirees Association has received a number of calls, emails, and even visits to their Boston office from concerned retirees. Some have commented on their disgust at what is now occurring, but all have expressed a deep concern as to whether or not their pension is secure.



“To be clear, Massachusetts public pensions are perfectly safe and secure. Retirees have a contractual right to their pension benefit and it cannot be reduced or taken away,” said Mass Retirees Association President Ralph White. “Besides, our defined benefit system is designed to withstand the ups and downs of the global financial market. These are serious times for our country, but thankfully our pensions are not in jeopardy.”

Unlike defined contribution (DC) plans, such as 401k retirement accounts whereby employees make investment choices through mutual funds, Massachusetts public retirees and employees are enrolled in a defined benefit (DB) plan, in which asset allocation decisions are made by the retirement boards through a well diversified portfolio of investment managers.

Pension benefits under DB plans are based on one’s years of creditable service, age, and highest consecutive three-year regular compensation average. In contrast, DC plans depend entirely on the investment performance of one’s 401k or other retirement account, rising and falling with the market.

“Anyone with a little money in a 401k or other investment account knows that these are very tough times. Our retirement systems will most likely have negative returns this year, but it is just one bad year after six consecutive very good years of investment returns,” explained White. “It is OK to be upset by what is happening here with our country as a whole. Wall Street should be held accountable. Thankfully, there is no need to worry about our pensions.”

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**210 CENTRAL STREET
HINGHAM, MA 02043-2758**

Phone: (781) 741-1478
Fax: (781) 741-1454

EMAIL: RETIREMENT@HINGHAM-MA.COM

WEBSITE: W.W.W. HINGHAM-MA.GOV/
RETIREMENTBOARD

There are 106 contributory retirement systems for public employees in Massachusetts. A retirement board governs each system and all boards, although operating independently, are bound together under one retirement law—Chapter 32 of the Massachusetts General Laws—that establishes benefits, contribution requirements, and an accounting funds structure for all systems.

All 106 retirement systems are overseen by the Public Employee Retirement Administration Commission (PERAC), which was created by Chapter 306 of the Acts of 1996.

The Hingham Retirement System is administered by a five member board: two elected members, two appointed members and a member ex-officio (Town Accountant or other official having similar duties and powers). The board members and staff are committed to service the employees and retirees of the Town of Hingham with diligence, honesty and courtesy.

PRESIDENTIAL CANDIDATES WEIGH IN ON WEP/GPO

The following statements relative to the WEP and GPO is an excerpt from NARFE's (National Association of Retired Federal Employees) questioners to the candidates. The wording is as it appears in NARFE's 2008 report, which focuses primarily on retired federal employees, most of whom are hurt by the WEP/GPO like many MA retirees. Since these issues do directly impact many retired Massachusetts public employees, we felt that the information should be shared with our members.

There are two provisions of the Social Security Act that have a dire financial effect on many retired public employees. The Government Pension Offset (GPO) affects federal, state and local government employees who retire after 1982 from a job not covered by Social Security by reducing or eliminating their spousal Social Security benefits that ordinarily would be payable. The government retiree's Social Security spousal benefit is reduced by an amount equal to two-thirds of the annuity. The GPO is particularly discriminatory against women with shorter or intermittent public service careers.

Public-service employees who retire after 1985 from jobs not covered by Social Security can have any Social Security they otherwise earned reduced by as much as 50 percent as a result of the Windfall Elimination Provision (WEP). Female retirees, particularly, are often dealt a double whammy on their planned retirement income by losing Social Security spousal protection due to the GPO, then find they also have their own earned Social Security benefit drastically reduced by the WEP. Both of these offsets are applicable to retirees simply because they spent part of their careers in public service.

NARFE: Would you support legislation to revisit and reform these two offsets, which affect millions of government and public-service retirees?

Sen. McCain: As president, I will seriously consider any re- form legislation relating to Government Pension Offset or Windfall Elimination Provision that hits my desk. My primary goal on this front, however, will be comprehensive reform of Social Security on a bipartisan basis to preserve it for future generations.

Sen. Obama: Barack Obama has and will continue to support repealing the WEP and the GPO. He is a cosponsor of the Social Security Fairness Act, which would repeal them both. These provisions severely limit (or completely eliminate) the Social Security income for many retirees who receive a federal [*or MA Public*] pension. No such provisions apply for those who receive private- sector pensions. We have a responsibility to take care of workers who have devoted their lives to public service. We need more of our young people going into public service, not less, and we should not discourage them by telling them we won't be living up to our side of the bargain when they retire.